

Mr. David Culpepper, Senior Reimbursement Analyst  
Paragon Health Network, Inc.  
One Ravinia Drive, Suite 1500  
Atlanta, Georgia 30346

Re: AC# 3-SDV-C5 - GCI Springdale Village, Inc. d/b/a Springdale Healthcare  
Center

Dear Mr. Culpepper:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period September 30, 1994 through March 31, 1995. That report was used to set the rate covering the contract periods beginning April 1, 1995.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Edgar A. Vaughn, Jr., CPA  
State Auditor

EAVjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Mac Carroll

**GCI SPRINGDALE VILLAGE, INC.  
d/b/a SPRINGDALE HEALTHCARE CENTER**

**CAMDEN, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING APRIL 1, 1995  
AC# 3-SDV-C5**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 27, 1998

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GCI Springdale Village, Inc. d/b/a Springdale Healthcare Center, for the contract periods beginning April 1, 1995 and for the six month cost report period ended March 31, 1995, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GCI Springdale Village, Inc. d/b/a Springdale Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days, and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and GCI Springdale Village, Inc. d/b/a Springdale Healthcare Center dated as of September 30, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
February 27, 1998

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the South Carolina Department of Health and Human Services and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Edgar A. Vaughn, Jr., CPA  
State Auditor

**SPRINGDALE HEALTHCARE CENTER**

Computation of Rate Change  
For the Contract Periods  
Beginning April 1, 1995  
AC# 3-SDV-C5

	<u>04/01/95</u> <u>09/30/95</u>	<u>10/01/95-</u> <u>03/31/96</u>	<u>04/01/96-</u> <u>09/30/96</u>
Interim reimbursement rate (1)	\$68.72	\$70.15	\$70.15
Adjusted reimbursement rate	<u>67.08</u>	<u>68.29</u>	<u>68.29</u>
Decrease in reimbursement rate	\$ <u>1.64</u>	\$ <u>1.86</u>	\$ <u>1.86</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 1997

**SPRINGDALE HEALTHCARE CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period April 1, 1995 Through September 30, 1995  
AC# 3-SDV-C5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.79	\$31.36	\$39.91	\$31.36
Dietary	<u>.43</u>	<u>7.40</u>	<u>7.83</u>	<u>7.40</u>
Subtotal	<u>\$3.22</u>	38.76	47.74	38.76
Laundry/Housekeeping/Maint.	\$1.00	4.44	6.65	4.44
Administration & Med. Rec.	<u>-</u>	<u>7.10</u>	<u>7.05</u>	<u>7.05</u>
Subtotal	<u>\$1.00</u>	50.30	<u>\$61.44</u>	50.25
<u>Costs Not Subject to Standards:</u>				
Utilities		2.03		2.03
Special Services		-		-
Medical Supplies & Oxy.		1.95		1.95
Taxes and Insurance		1.18		1.18
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$55.46</u>		55.41
Inflation Factor (4.50%)				2.49
Cost of Capital				7.13
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.00
Cost Incentive - For Gen. Serv. & Dietary				3.22
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				(2.72)
OTC/Nonlegend Drug Reimbursement				.25
Laundry Add-On				<u>.30</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$67.08</u>

**SPRINGDALE HEALTHCARE CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 1995 Through March 31, 1996  
AC# 3-SDV-C5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$3.08	\$31.68	\$44.00	\$31.68
Dietary	<u>.60</u>	<u>7.47</u>	<u>8.53</u>	<u>7.47</u>
Subtotal	<u>\$3.68</u>	39.15	52.53	39.15
Laundry/Housekeeping/Maint.	\$1.08	4.48	7.17	4.48
Administration & Med. Rec.	<u>.68</u>	<u>7.18</u>	<u>7.86</u>	<u>7.18</u>
Subtotal	<u>\$1.76</u>	50.81	<u>\$67.56</u>	50.81
<u>Costs Not Subject to Standards:</u>				
Utilities		2.05		2.05
Special Services		-		-
Medical Supplies & Oxy.		1.97		1.97
Taxes and Insurance		1.20		1.20
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$56.03</u>		56.03
Inflation Factor (6.30%)				3.53
Cost of Capital				7.23
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.76
Cost Incentive - For Gen. Serv. & Dietary				3.68
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>(3.94)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$68.29</u>



**SPRINGDALE HEALTHCARE CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period April 1, 1996 Through September 30, 1996  
AC# 3-SDV-C5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$3.08	\$31.68	\$44.00	\$31.68
Dietary	<u>.60</u>	<u>7.47</u>	<u>8.53</u>	<u>7.47</u>
Subtotal	<u>\$3.68</u>	39.15	52.53	39.15
Laundry/Housekeeping/Maint.	\$1.08	4.48	7.17	4.48
Administration & Med. Rec.	<u>.68</u>	<u>7.18</u>	<u>7.86</u>	<u>7.18</u>
Subtotal	<u>\$1.76</u>	50.81	<u>\$67.56</u>	50.81
<u>Costs Not Subject to Standards:</u>				
Utilities		2.05		2.05
Special Services		-		-
Medical Supplies & Oxy.		1.97		1.97
Taxes and Insurance		1.20		1.20
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$56.03</u>		56.03
Inflation Factor (6.30%)				3.53
Cost of Capital				7.23
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.76
Cost Incentive - For Gen. Serv. & Dietary				3.68
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>(3.94)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$68.29</u>

**SPRINGDALE HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended March 31, 1995  
For the Contract Period April 1, 1995 Through September 30, 1995  
AC# 3-SDV-C5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$ 539,272	\$ 2,508 (5) 25 (5) 194,934 (13) 18,262 (16)	\$ 4,072 (7) 371 (7) 1,279 (11) 127,673 (14) 11,706 (18) 3,310 (19)	\$ 606,590
Dietary	113,951	103 (5) 79,948 (16)	681 (7) 319 (11) 49,885 (18)	143,117
Laundry	15,252	47 (5) 782 (13) 10,700 (16)	147 (7) 7,914 (18)	18,720
Housekeeping	50,689	287 (5) 19,858 (13) 5,502 (16)	376 (7) 32,195 (18)	43,765
Maintenance	20,698	22,363 (16)	20 (5) 122 (7) 2,383 (8) 16,757 (18) 387 (19)	23,392
Administration & Medical Records	114,996	149 (5) 74 (5) 6,598 (6) 39,461 (16) 14,535 (16) 593 (19)	430 (7) 216 (7) 38 (8) 5,788 (11) 22,707 (18) 9,783 (18)	137,444
Utilities	30,770	7,630 (3) 18,041 (16) 637 (19)	1,509 (12) 16,316 (18)	39,253
Special Services	-	-	-	-

**SPRINGDALE HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended March 31, 1995  
For the Contract Period April 1, 1995 Through September 30, 1995  
AC# 3-SDV-C5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Medical Supplies & Oxygen	55,452	8,580 (13)	6,598 (6) 10,231 (8) 311 (11) 9,124 (18)	37,768
Taxes & Insurance	16,262	16,644 (16) 698 (19)	1,163 (4) 9,554 (18)	22,887
Legal Fees	-	-	-	-
Cost of Capital	113,440	5,829 (1) 356 (2) 2,349 (16) 20,827 (20)	1,921 (15) 827 (18) 2,110 (19)	137,943
Subtotal	1,070,782	498,320	358,223	1,210,879
Ancillary	21,316	-	-	21,316
Non-Allowable	881,329	1,797 (4) 6,415 (7) 12,652 (8) 7,697 (11) 1,509 (12) 127,673 (14) 1,921 (15) 186,768 (18) 3,879 (19)	5,829 (1) 356 (2) 7,630 (3) 1,607 (5) 224,154 (13) 227,805 (16) 20,827 (20)	743,432
Total Operating Expenses	<u>\$1,973,427</u>	<u>\$848,631</u>	<u>\$846,431</u>	<u>\$1,975,627</u>
TOTAL PATIENT DAYS	<u>*16,707</u>	<u>2,638</u> (22)	<u>-</u>	<u>19,345</u>

\*Adjusted to 98% occupancy

TOTAL BEDS 116

**SPRINGDALE HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended March 31, 1995  
For the Contract Periods October 1, 1995 Through September 30, 1996  
AC# 3-SDV-C5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$ 539,272	\$ 2,508 (5) 25 (5) 194,934 (13) 18,262 (17)	\$ 4,072 (7) 371 (7) 1,279 (11) 127,673 (14) 11,706 (18) 3,310 (19)	\$ 606,590
Dietary	113,951	103 (5) 79,948 (17)	681 (7) 319 (11) 49,885 (18)	143,117
Laundry	15,252	47 (5) 782 (13) 10,700 (17)	147 (7) 7,914 (18)	18,720
Housekeeping	50,689	287 (5) 19,858 (13) 5,502 (17)	376 (7) 32,195 (18)	43,765
Maintenance	20,697	22,364 (17)	20 (5) 122 (7) 2,403 (9) 16,757 (18) 387 (19)	23,372
Administration & Medical Records	115,084	149 (5) 74 (5) 6,598 (6) 39,373 (17) 14,535 (17) 593 (19)	430 (7) 216 (7) 38 (9) 5,788 (11) 22,707 (18) 9,783 (18)	137,444
Utilities	30,771	7,630 (3) 18,040 (17) 637 (19)	1,509 (12) 16,316 (18)	39,253
Special Services	-	-	-	-

# SPRINGDALE HEALTHCARE CENTER

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended March 31, 1995  
For the Contract Periods October 1, 1995 Through September 30, 1996  
AC# 3-SDV-C5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Medical Supplies & Oxygen	58,802	8,580 (13)	6,598 (6) 10,317 (9) 3,350 (10) 311 (11) 9,124 (18)	37,682
Taxes & Insurance	16,262	16,644 (17) 698 (19)	1,163 (4) 9,554 (18)	22,887
Legal Fees	-	-	-	-
Cost of Capital	113,940	5,829 (1) 356 (2) 2,347 (17) <u>20,769 (21)</u>	1,921 (15) 827 (18) 2,110 (19)	138,383
Subtotal	1,074,720	498,172	361,679	1,211,213
Ancillary	17,966	-	-	17,966
Non-Allowable	880,741	1,797 (4) 6,415 (7) 12,758 (9) 3,350 (10) 7,697 (11) 1,509 (12) 127,673 (14) 1,921 (15) 186,768 (18) <u>3,879 (19)</u>	5,829 (1) 356 (2) 7,630 (3) 1,607 (5) 224,154 (13) 227,715 (17) 20,769 (21)	746,448
Total Operating Expenses	<u>\$1,973,427</u>	<u>\$851,939</u>	<u>\$849,739</u>	<u>\$1,975,627</u>
TOTAL PATIENT DAYS	<u>*16,537</u>	<u>2,611 (23)</u>	<u>-</u>	<u>19,148</u>

\*Adjusted to 97% occupancy

**SPRINGDALE HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended March 31, 1995  
AC# 3-SDV-C5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 250,939	
	Cost of Capital	5,829	
	Accumulated Depreciation		\$ 35,669
	Other Equity		215,270
	Nonallowable		5,829
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Loan Cost	11,163	
	Cost of Capital	356	
	Other Equity		11,163
	Nonallowable		356
	To adjust loan cost and related amortization to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Utilities	7,630	
	Nonallowable		7,630
	To adjust utility expense to allowable HIM-15-1, Section 2304		
4	Nonallowable	1,797	
	Taxes and Insurance		1,163
	Accrued Property Taxes		634
	To adjust property taxes and related accrual to allowable HIM-15-1, Sections 2302.1 and 2304		
5	Nursing	2,508	
	Restorative	25	
	Dietary	103	
	Laundry	47	
	Housekeeping	287	
	Administration	149	
	Medical Records	74	
	Maintenance		20
	Nonallowable		1,607
	Accrued PTO		1,566
	To adjust PTO accrual to allowable HIM-15-1, Sections 2302.1 and 2304		

**SPRINGDALE HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended March 31, 1995  
AC# 3-SDV-C5

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Medical Records	6,598	
	Medical Supplies		6,598
	To reclassify salary and related fringes to the proper cost center HIM-15-1, Sections 2302.3 and 2304		
7	Nonallowable	6,415	
	Nursing		4,072
	Restorative		371
	Dietary		681
	Laundry		147
	Housekeeping		376
	Maintenance		122
	Administration		430
	Medical Records		216
	To adjust workers' compensation expense to allowable HIM-15-1, Section 2304		
8	Nonallowable	12,652	
	Maintenance		2,383
	Administration		38
	Medical Supplies		10,231
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
	(This adjustment applies only to the contract period 4/1/95-9/30/95)		
9	Nonallowable	12,758	
	Maintenance		2,403
	Administration		38
	Medical Supplies		10,317
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
	(This adjustment applies only to the contract periods 10/1/95-9/30/96)		

**SPRINGDALE HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended March 31, 1995  
AC# 3-SDV-C5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable Medical Supplies	3,350	3,350
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
	(This adjustment applies only to the contract periods 10/1/95-9/30/96)		
11	Nonallowable Restorative Dietary Medical Records Medical Supplies	7,697	1,279 319 5,788 311
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
12	Nonallowable Utilities	1,509	1,509
	To remove utilities applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3		
13	Nursing Laundry Housekeeping Medical Supplies Nonallowable	194,934 782 19,858 8,580	224,154
	To reverse provider allocation of costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3		
14	Nonallowable Nursing	127,673	127,673
	To remove nursing cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3		



**SPRINGDALE HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended March 31, 1995  
AC# 3-SDV-C5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
15	Nonallowable Cost of Capital	1,921	1,921
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
16	Restorative	18,262	
	Dietary	79,948	
	Laundry	10,700	
	Housekeeping	5,502	
	Maintenance	22,363	
	Administration	39,461	
	Medical Records	14,535	
	Utilities	18,041	
	Taxes and Insurance	16,644	
	Cost of Capital	2,349	
	Nonallowable		227,805
	To reverse DH&HS adjustment to remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
	(This adjustment applies only to the contract period 4/1/95-9/30/95)		
17	Restorative	18,262	
	Dietary	79,948	
	Laundry	10,700	
	Housekeeping	5,502	
	Maintenance	22,364	
	Administration	39,373	
	Medical Records	14,535	
	Utilities	18,040	
	Taxes and Insurance	16,644	
	Cost of Capital	2,347	
	Nonallowable		227,715
	To reverse DH&HS adjustment to remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
	(This adjustment applies only to the contract periods 10/1/95-9/30/96)		

**SPRINGDALE HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended March 31, 1995  
AC# 3-SDV-C5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
18	Nonallowable	186,768	
	Restorative		11,706
	Dietary		49,885
	Laundry		7,914
	Housekeeping		32,195
	Maintenance		16,757
	Administration		22,707
	Medical Records		9,783
	Utilities		16,316
	Taxes and Insurance		9,554
	Medical Supplies		9,124
	Cost of Capital		827
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
19	Administration	593	
	Utilities	637	
	Taxes and Insurance	698	
	Nonallowable	3,879	
	Nursing		3,310
	Maintenance		387
	Cost of Capital		2,110
	To adjust home office cost allocation to allowable HIM-15-1, Sections 2304 and 2150		
20	Cost of Capital	20,827	
	Nonallowable		20,827
	To adjust cost of capital to allowable State Plan, Attachment 4.19D  (This adjustment applies only to the contract period 4/1/95-9/30/95)		
21	Cost of Capital	20,769	
	Nonallowable		20,769
	To adjust cost of capital to allowable State Plan, Attachment 4.19D  (This adjustment applies only to the contract periods 10/1/95-9/30/96)		

**SPRINGDALE HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended March 31, 1995  
AC# 3-SDV-C5

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
22	<u>Memo Adjustment:</u> To increase total patient days by 2,638 to 19,345  (This adjustment applies only to the contract period 4/1/95-9/30/95)		
23	<u>Memo Adjustment:</u> To increase total patient days by 2,611 to 19,148  (This adjustment applies only to the contract periods 10/1/95-9/30/96)		
	TOTAL ADJUSTMENTS	<u>\$1,375,325</u>	<u>\$1,375,325</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**SPRINGDALE HEALTHCARE CENTER**  
**Cost of Capital Reimbursement Analysis**  
**For the Cost Report Period Ended March 31, 1995**  
**For the Contract Period April 1, 1995 Through September 30, 1995**  
**AC# 3-SDV-C5**

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>1.8981</u>	<u>1.8981</u>	<u>1.8981</u>	
Deemed Asset Value (Per Bed)	29,644	29,644	29,644	
Number of Beds	<u>44</u>	<u>60</u>	<u>12</u>	
Deemed Asset Value	1,304,336	1,778,640	355,728	
Improvements Since 1981	11,081	8,643	1,371	
Accumulated Depreciation at 3/31/95	<u>(220,593)</u>	<u>(77,100)</u>	<u>(2,082)</u>	
Deemed Depreciated Value	1,094,824	1,710,183	355,017	
Market Rate of Return	<u>0.075</u>	<u>0.075</u>	<u>0.075</u>	
Total Annual Return	82,112	128,264	26,626	
Number of Days in Period	<u>183/365</u>	<u>183/365</u>	<u>59/365</u>	
Adjusted Annual Return	41,168	64,308	4,304	
Return Applicable to Non-Reimbursable Cost Centers	(2,108)	-	-	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	39,060	64,308	4,304	
Depreciation Expense	15,912	13,765	660	
Amortization Expense	237	454	70	
Capital Related Income Offsets	-	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(827)</u>	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	54,382	78,527	5,034	\$137,943
Total Patient Days (Minimum 98% Occupancy)	<u>7,891</u>	<u>10,760</u>	<u>694</u>	<u>19,345</u>
Cost of Capital Per Diem	\$ <u>6.89</u>	\$ <u>7.30</u>	\$ <u>7.25</u>	\$ <u>7.13</u>

**SPRINGDALE HEALTHCARE CENTER**  
**Cost of Capital Reimbursement Analysis**  
**For the Cost Report Period Ended March 31, 1995**  
**For the Contract Periods October 1, 1995 Through September 30, 1996**  
**AC# 3-SDV-C5**

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>1.9778</u>	<u>1.9778</u>	<u>1.9778</u>	
Deemed Asset Value (Per Bed)	30,889	30,889	30,889	
Number of Beds	<u>44</u>	<u>60</u>	<u>12</u>	
Deemed Asset Value	1,359,116	1,853,340	370,668	
Improvements Since 1981	11,081	8,643	1,371	
Accumulated Depreciation at 3/31/95	<u>(220,593)</u>	<u>(77,100)</u>	<u>(2,082)</u>	
Deemed Depreciated Value	1,149,604	1,784,883	369,957	
Market Rate of Return	<u>0.072</u>	<u>0.072</u>	<u>0.072</u>	
Total Annual Return	82,771	128,512	26,637	
Number of Days in Period	<u>183/365</u>	<u>183/365</u>	<u>59/365</u>	
Adjusted Annual Return	41,499	64,432	4,306	
Return Applicable to Non-Reimbursable Cost Centers	(2,125)	-	-	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	39,374	64,432	4,306	
Depreciation Expense	15,912	13,765	660	
Amortization Expense	237	454	70	
Capital Related Income Offsets	-	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(827)</u>	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	54,696	78,651	5,036	\$138,383
Total Patient Days (Minimum 97% Occupancy)	<u>7,810</u>	<u>10,651</u>	<u>687</u>	<u>19,148</u>
Cost of Capital Per Diem	\$ <u>7.00</u>	\$ <u>7.38</u>	\$ <u>7.33</u>	\$ <u>7.23</u>